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Discussion Draft

Board on Standards for Programs and Schools of Professional Accounting



American Institute of Certified Public Accountants

Discussion Draft

**Board on Standards
for Programs
and Schools
of Professional
Accounting**

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Preface

In July 1974, Samuel A. Derieux, then Chairman of the AICPA, appointed the Board on Standards for Programs and Schools of Professional Accounting from individuals nominated for this assignment by the presidents of the American Accounting Association, the American Assembly of Collegiate Schools of Business, the National Association of State Boards of Accountancy, and also from the membership of the Institute.

The Board was charged "to identify those standards that, when satisfied by a school, would justify its recognition by the accounting profession. . . ."

This body, under the chairmanship of Herbert E. Miller, has been working for a year and a half in developing this document. It now believes that wide exposure will be beneficial to the standards' further development and solicits your review and reaction. Please address these responses to the Board on Standards, American Institute of CPAs, 1211 Avenue of the Americas, New York, N.Y. 10036 by August 15, 1976.

Guy W. Trump
Vice President—Education

Standards for Professional Accounting Programs and Schools

1 Introduction

The AICPA Board on Standards for Programs and Schools of Professional Accounting was created in July 1974. The charge assigned to it read as follows:

The Board is directed to identify those standards that, when satisfied by a school, would justify its recognition by the accounting profession. Particularly, attention should be given to the criteria for the school's curriculum which would be appropriate for a professional program in accounting.

This document contains the response of the Board to its charge.

2 The Profession and Its Educational Needs

In considering the educational needs of the profession, the Board members recognized that in the total range of accounting activities some components of the profession have evolved more than others. Yet, as the body of accounting knowledge increases and the social significance and ethical imperatives of accountancy become clearer, the profession will continue to mature.

The term *accountant*, like the term *engineer*, has been appropriated by many whose level of work corresponds to that of paraprofessionals. *The basic consideration, however, is to develop educational programs of a professional nature for those accountants whose career aspirations require the highest degree of expertise.*

The Board observes that professional accounting includes—

- comprehension of the total system of financial information flow and its relation to other systems in generating, analyzing, and com-

municating data useful to management, the public, or governmental agencies;

- ability to present financial information in conformity with generally accepted accounting principles; and
- ability to audit in accordance with generally accepted auditing standards both for a critical evaluation of the system used in developing the financial data and for presenting fairly the information in financial statements.

In considering the *broad* educational needs of the profession, the Board takes the following positions:

- The Board believes that the education required for professional accounting should be broadly conceived and should provide for a variety of occupational alternatives within the structure of the accounting profession.
- The Board supports the position that graduates of programs or schools of professional accounting meeting the standards herein described should be permitted to sit for the Uniform CPA Examination and, upon passing, be awarded the CPA certificate. Some states may include other requirements which must be met before permits to practice public accounting can be issued.
- Finally, the Board concludes that the profession must ensure that academic and professional standards for educational programs in accounting are responsive to its needs. To fulfill this responsibility, the Board recommends these standards and an accreditation process.

The objective of these standards is to establish a level of quality in accounting education programs that would graduate an entry-level professional accountant.

Such an objective cannot be achieved within the traditional baccalaureate program. An adequate professional education in accounting will require at least two years of preprofessional education and no less than three years of professional education.

However, consideration should also be given to professional programs at the postbaccalaureate level; at this level professionalization may be most feasible, and it is to this level that the educational programs of the traditional learned professions have evolved.

The standards herein enunciated contemplate the five-year program as a minimum, but they are equally applicable to the postbaccalaureate professional program. These standards — and the attendant accreditation processes — apply to professional degree programs in accounting rather than to institutions, colleges, or schools. It must be recognized that no single administrative pattern can be prescribed, although it is essential that the administrative

auspices of a program shall assure and support the integrity of the professional program. Whatever the administrative arrangements may be, the ultimate determination of suitability depends on the degree to which the administrative structure supports the implementation of the objective of preparation for professional accountability.

In determining whether this objective is being met, it is necessary to consider the environmental conditions and standards of quality maintained by the school and the performance of its graduates. All of these criteria must be considered in appraising a professional accounting program, but the measure of performance upon graduation should have special significance in demonstrating that the enabling conditions and standards are being effectively combined to produce the desired quality education.

3 The Academic Environment

The Board considers certain environmental conditions as essential for the effective functioning of a professional accounting program or school. These enabling conditions are the key ingredients which allow a professional program to exist; they provide the environment within which the educational standards can operate.

- (a) *Objective.* As stated above, the objective of the program should be to graduate an entry-level professional accountant.
- (b) *Knowledge and Methodology.* To enable the student to acquire the essential body of knowledge, and proficiency in the utilization of that knowledge, the program must have high academic standards and appropriate teaching methods. It is at this point that education for a profession becomes distinguishable from the process of general education for the role of "citizen." One may differentiate between "orientation to general knowledge" and the "experiential" process which results in an ability to use a specific body of knowledge. The teaching methods must include those techniques available to motivate the students to use the knowledge in the learning process. The Board submits that professional education must have rigor in learning through using the expertise and skills of the profession — not rigor for the sake of rigor, but for the process of "true professionalization."
- (c) *Identity.* By definition a profession is identifiable. Among other things it has a specified body knowledge, its own ethical code, and recognizable social significance. The profession's pride

in its identity is an important motivating factor which better assures successful completion of the arduous process of education. Such identity should allow suitable visibility both within and outside the academic setting. It is needed as a focal point for career identification, the efforts of faculty, and the recognition and support of the profession. If an esprit de corps favorable to professional careers is to exist among the students, that identity is crucial. The success of the educational process for accountancy demands a separate "identity" for the program.

- (d) *Autonomy.* Within the general policies of the university, the dean (director) and faculty of the accounting school (program) shall have the authority and responsibility for formulating and administering the school (program), including such matters as faculty selection, retention, compensation, promotion, and tenure; the development of policies governing curriculum; the selection of methods of instruction; the establishment of academic standards for admission, retention, advancement, and graduation of students; and all budget matters.

In universities or colleges where the accounting program is in the school of business (or some other school or college), the designated administrative head of the accounting faculty shall have jurisdiction over the program in professional accounting (in the manner set forth in the paragraph above) under the general authority of the administrative officer to whom he or she reports.

To assure that the proper academic environment is created, the profession and the educational community must join in an effective evaluation and accreditation process. By establishing that process, the profession will better assure the existence of the above conditions.

4 Standards for Professional Accounting Education

The following standards must be met in order to achieve accreditation.

General Standards

Standard 1: The objective of the school (program) shall be the education of professional accountants.

Comment: Consistent with this objective is the search for new

knowledge and service to the profession and the community.

It is expected that the accounting school (program) should look to the school of business to teach accounting students in the business disciplines. Similarly, the accounting school (program) should teach the accounting required in the program of business administration and other divisions of the university.

Standard 2: The school's (program's) parent institution must be accredited by the appropriate regional accrediting organization.

Comment: Assurance of basic quality provided by the regional accreditation of the parent institution is fundamental to consideration of the specific quality of the accounting school (program).

Standard 3: The accounting school (program) should have been established and in operation for such a period of time as to make possible an effective evaluation.

Comment: In general the school (program) should have students enrolled in each year of classes and should have graduates in the field. When the school (program) is a conversion of a preceding organization, the nature and policies of that organization should be considered.

Admission and Retention Standards

Standard 1: Students selected for admission should show a high probability of success in the study of accounting.

Comment: The development of well-educated and capable professional accountants must begin with students who have demonstrated learning capability and have an interest in and an aptitude for this type of professional activity. Thus, entrants to the professional accounting program or school should have completed at least two years of preprofessional education with a grade point average indicative of potential success in professional studies and should have received a satisfactory score on the Professional Accountancy Program Admissions Test.¹ These entry requirements are established by the

¹ The test is presently being developed.

accounting faculty giving consideration to prevalent grade point averages and test scores required in other professional schools (programs) at the institution and in the education community from which students are drawn.

Standard 2: Students should be permitted to continue in the school (program) only by maintaining a satisfactory academic grade level as determined by the accounting faculty.

Comment: An acceptable level should be at least equal to that required for continued good standing in comparable schools (programs) of the university.

The scholastic achievement of students should be evaluated from the inception of their studies. As part of the evaluation of scholastic achievement, a written examination of suitable length and complexity should be required for courses for which credit is given, except, possibly, for seminars and individual research projects.

Curriculum Standards

Standard 1: The curriculum shall provide broad education to prepare students for professional accountancy practice and to develop those qualities which will enable them to achieve success in their professional careers.

Comment: The curriculum should be conceived as a unit and should cover those aspects of business and governmental activities which relate to the economic and social forces that influence and interface with accountancy. Provision should be made for periodic reexamination and research in curriculum content which would allow for adjusting to advances in knowledge affecting the professional practice of accountancy. Correlation of the various courses of study within the unit is essential to an effective education program as well as optimal student achievement.

Standard 2: As a minimum, the curriculum shall consist of at least two years of pre-accountancy preparation and not less than three years of progressively more advanced professional level study.

Comment: For students who complete the five-year program, a postbaccalaureate degree in professional accountancy may be granted. While the five-year option is stated as a minimum, a professional program offered entirely at a postbaccalaureate level is a desirable alternative. Either of these options provides time for the professional program; however, four-year programs of study are considered inadequate and will not be accredited.

Standard 3: The preprofessional program should provide for a broad general education including an understanding and knowledge of topics relevant to accounting such as economics, the behavioral sciences, logic, ethics, mathematics, statistics and probability theory, and both written and oral communications.²

Comment: This understanding and knowledge should provide the student with a disciplined foundation for the successful study and practice of accountancy. The foundation is intended to provide —

- (1) understanding of the content and processes of scientific thought and systematic approaches to problem-solving;
- (2) facility in the use of mathematics and statistics to measure and express economic events;
- (3) ability to communicate effectively orally and in writing; and
- (4) appreciation of the institutions and forces — legal, financial, economic, political, and sociological — that influence and interface with accountancy.

Standard 4: The professional course sequence should provide an understanding of the “discipline of accounting”³ and of the “environment of accounting.” Courses in the discipline of accounting cover organization of the profession, ethics and responsibilities, accounting (financial, managerial, governmental), taxation, electronic and nonelectronic recording systems, and auditing.

² The elementary accounting course may be included as part of the preprofessional study or as part of the professional program.

³ Ibid.

Courses in the environment of accounting cover the institutions and functions of business and public administration, quantitative methods in decision-making, economic analysis, and business law.

The advanced courses in the final year of professional study should cover the concepts and skills required in the several areas of practice: auditing; public, managerial, or governmental accounting; tax advising; and management advisory services, including data processing and the systems area. The advanced professional study should give consideration to the impact of regulatory agencies and professional bodies on current and emerging accounting issues. This broad coverage permits only limited specialization within the five-year program; additional study would be required to achieve substantial specialization.

The content of individual courses should be designed so that students will be exposed to appropriate technical literature and use of a computer.

Comment: The discipline of accounting includes the functions of accounting and financial statement presentation; accounting and auditing concepts and their application; professional ethics and responsibilities of certified public accountants; and the interaction of income taxes, business law, and computer applications with the accounting process. These functions should be covered in not-for-profit and governmental areas as well as profit-oriented enterprises.

Certain of the courses dealing with the discipline of accountancy shall consist of cases and/or problems reflecting actual business situations that require analytical problem-solving and utilization of the body of knowledge acquired in the earlier segments of the study program.

There should be required throughout the professional phase of the program substantial exposure to other business subjects offered within the business school.

During the professional program, an integrative approach should be developed within the curriculum. Cases used to accomplish this integrative approach should interrelate accounting and/or auditing decisions in a setting that requires assessment of realistic environmental influences; understanding of the implica-

tions, significance, and jurisdictions of the decisions; and utilization of a variety of tools, skills, and knowledge obtained from other segments of the program.

Courses in computer operations, programming, and applications to accounting and auditing should be offered, and there should be opportunities to utilize the computer in the regular course offerings as a supplement and reinforcement of basic computer knowledge.

Faculty Standards

Standard 1: The academic faculty shall possess the educational qualifications, professional practice experience, professional interests, classroom teaching ability, and scholarly productivity essential for the successful conduct of a professional accounting school or program.

Comment: The qualities required of the faculty may be demonstrated by the level of their educational background and professional practice experience, attainment of entry level certification such as the CPA certificate; the extent of engagement in curricular development and innovation, and in experimentation designed to improve teaching; the level of research, writing, and publication; the extent of continuing involvement in professional practice and continuing education; and the existence of plans and policies for the continuing development of the faculty.

Standard 2: In establishing and applying criteria for evaluating faculty performance, teaching should be of primary importance. Faculty involvement in research, significant nonclassroom activity in maintaining contact with the practice of the profession, and service to the community are also essential. In evaluating research, equal value should be given to theoretical, applied, and education-oriented studies.

Comment: Any faculty evaluation system should place first and greatest emphasis on teaching ability and its appropriate application. When evaluating other related areas of faculty responsibility, the need for familiarity with both conceptual and applied knowledge requires

that the faculty be involved in current professional activities with practicing accounting units or professional organizations and in significant research.

Standard 3: The number of full-time academic faculty shall be adequate to meet the commitments of the school or program, and the full-time faculty shall be distributed among ranks, subject areas, day and evening classes, and locations. In assigning the academic loads of individual faculty, consideration should be given to the total responsibilities borne by each member of the faculty.

Comment: An academic faculty should be of appropriate size and should have a significant proportion of full-time faculty, that is, those who hold an appointment to an academic rank with faculty voting privileges. For accreditation there should be not less than one full-time-equivalent academic staff for each 350 student credit hours per term; and 65 percent of these student credit hours should be taught by full-time faculty.

At least 50 percent of the required full-time-equivalent faculty should hold an appropriate earned doctorate. At least 60 percent of the required full-time-equivalent faculty teaching accounting subjects should have the CPA certificate. As a further measure of the faculty's professional capability, 60 percent of the full-time faculty teaching accounting subjects should have the CPA certificate.

Not less than 60 percent of the full-time faculty should have relevant professional accounting practice experience to bring to the classroom. Such practical experience should be distributed among the academic ranks and the specific areas of the discipline and should be related to the subject matter content of the courses taught by the faculty members.

School administrators and faculty are encouraged to bring to the campus qualified, practicing accountants to complement the full-time faculty.

The work loads of the faculty shall be judged upon the average for the academic year, and reduction from full teaching loads should be made for substantial research, administrative, or professional activities. Generally, faculty members should not be required to teach regularly in more than two accounting fields or

have more than two preparations per term. Commensurate with the standard of one full-time-equivalent faculty member per 350 student credit hours per term, class sizes should not exceed those limitations imposed by the adequacy of facilities or the abilities of the faculty. In determining class size, consideration should be given to the specific subject matter, the course level, the particular pedagogical techniques used in courses, the quantity and quality of outside course preparation, and such other factors as weigh upon the faculty member's ability to provide an appropriate educational experience.

Standard 4: There should be an adequate number of support and service personnel to assist the faculty in meeting the stated objectives of the professional accounting school (program).

Comment: Included as faculty support personnel would be teaching, research, and grading assistants; computer and machine technicians; secretarial and clerical personnel; and maintenance staff. The number and qualifications of persons in this group should be sufficient to enable the faculty to meet these standards.

Financial Support and Budget Standards

Standard 1: The administration of a school (program) of professional accounting should be able to demonstrate that the continuity of the education program is assured.

Comment: This assurance can be demonstrated by the previous support which has been given, or through the commitment of the institution of higher education with which the school (program) is affiliated.

Standard 2: The budgetary support for the accounting school (program) should be adequate to meet the standards covered in this document.

Comment: There should be available evidence that the professional accounting school (program) is receiving equitable financial support from its parent institution and has the same degree of access to higher university officers in budgetary matters as have other like schools (programs) within the university.

Budget support and financial management for the professional accounting school (program) should be consistent with the objective of educating students for careers in professional accounting. There should be evidence that the school (program) has the right to raise and retain special funds for use within the accounting school (program) while not suffering a corresponding reduction in budgetary support from the parent university (school).

Physical Plant and Equipment Standards

Standard 1: The physical plant and equipment should be adequate to meet the requirements stated in the school's (program's) objectives.

Comment: The buildings, classrooms, laboratories and computer access areas, machines and equipment, ventilation, heating, and lighting should all be currently suitable for and contribute to the effective functioning of the professional accounting school (program). The physical plant should be adequate to accommodate the total number of students in all aspects of the accounting program including offices for faculty and administrative personnel and appropriate research facilities.

Library and Computer Standards

Standard 1: The accounting library, whether established separately or as a section of a combined library, should be well-housed, conveniently located, and open at reasonable hours for student and faculty use. The collection of accounting materials should be adequate to meet the curriculum and research needs of students and faculty.

Standard 2: The library should be administered by a professionally qualified staff and should have an adequate budget for appropriate current accessions.

Comment: The growing demands on the accounting profession for an expansion of services and the need for research in the areas of accounting, auditing, and tax practice creates a continuous need for the accumulation and intelligent use of all library resources on professional accounting and related business subjects.

Standard 3: The computer center or access terminals should be well-housed, conveniently located, and available for student and faculty use on a scheduled basis which provides opportunity to use the computer's capability in both class assignments and research.

5 Standards of Performance for Graduates

Standard 1: Graduates of the professional accounting school (program) should possess the professional attributes and knowledge of a beginning professional accountant.

Comment: Such attributes and knowledge are found in a graduate who has—

- (1) acquired a knowledge of the basic principles, practices, and methodologies of the profession;
- (2) acquired the necessary conceptual, philosophical, and theoretical foundations of the practice of accountancy; and
- (3) acquired the personal and educational skills, attitudes, competencies, values, and behavioral attributes of the professional accountant.

Standard 2: Graduates should be capable of passing the qualifying entrance examination for the profession.

Comment: This standard should not be interpreted as favoring academic programs narrowly designed to coach candidates for such examinations.

Standard 3: Graduates of the professional accounting school (program) should be capable of working effectively as beginning professional accountants and should have the capacity for growth to positions of increased responsibility in the accounting profession.

Comment: In evaluating the total effectiveness of a school (program), a review should be made of the success of graduates in obtaining employment and subsequent advancement in positions within the broad field of professional accounting.

6 Structure of the Professional Program

The Board recognizes that there may be various organizational structures that will provide an adequate academic environment for a professional accounting program. It is anticipated that some professional accounting programs may be offered in separate schools of accounting, while in other cases they may be offered within schools of business.

7 Evaluation and Accreditation

In order to facilitate attainment of the standards, an accreditation process is needed. The profession should collaborate with the educational community in developing an effective mechanism for continuous appraisal of professional accounting schools (programs).

The Board, therefore, recommends that the Institute join with other appropriate organizations in the discussion of the proposed standards and in the formulation of an accreditation process.

